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DOMINION MAGNESIUM
LIMITED

26th
Annual Report

For The Financial Period Ended December 31, 1966



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Dominion Magnesium Limited

(Incorporated under the laws of Ontario)

OFFICERS

H. J. FRASER - - - - - President
J. THOMSON - - - Vice-President and General Manager
H. B. CLEARIHUE - - - Secretary-Treasurer

DIRECTORS

H. J. FRASER - - - - - Toronto
J. THOMSON - - - - - Toronto
G. T. N. WOODROOFFE - - - - - Toronto
J. G. WEIR - - - - - Toronto
F. H. JOWSEY - - - - - Toronto
L. M. PIDGEON - - - - - Toronto
J. M. MORTIMER - - - - - Toronto
P. N. PITCHER - - - - - Toronto

TRANSFER AGENT AND REGISTRAR

Crown Trust Company, 302 Bay Street, Toronto, Ontario

AUDITORS

Gunn, Roberts and Co., Toronto, Ontario

BANKERS

Royal Bank of Canada, Toronto, Ontario
Bank of Montreal, Renfrew, Ontario

GENERAL COUNSEL

Fasken, Calvin, Mackenzie, Williston and Swackhammer
36 Toronto Street, Toronto, Ontario

HEAD AND SALES OFFICE

7 King St. E., Toronto 1

PLANT

Haley, Ontario

ANNUAL MEETING

March 23rd, 1967, 10:00 a.m. (Toronto Time)
Conference Room - 20th Floor - 7 King St. E., Toronto

Dominion Magnesium Limited

Directors' Report

TO THE SHAREHOLDERS:

Your Directors submit herewith the Annual Report of your Company for 1966.

Annual sales of your Company's products amounted to \$5,876,719 for 1966 as compared with \$7,443,360 for the previous year. As a result of greatly improved earnings at Aerometals Limited, reduced ferrosilicon costs and a reduction in the current year's provision for income taxes, the consolidated net income for the year was \$168,988, equivalent to 35 cents per share as compared to \$149,070 or 31 cents per share for 1965. As a result of a strike, almost four months of primary magnesium production time was lost which resulted in a reduction of income before taxes of \$120,566 at the Haley operation.

Shipments of the Company's main products were as follows:

	Year ended December 31	
	1966	1965
Magnesium	15,110,870 lbs.	22,308,000 lbs.
Calcium	248,830 lbs.	157,875 lbs.
Thorium	1,275 lbs.	6,534 lbs.
Titanium	9,120 lbs.	18,025 lbs.
Dolomite	18,032 tons	26,983 tons

Production of magnesium crowns amounted to 15,343,465 lbs. as compared to 22,431,474 lbs. last year. Had there been no interruption, our rate of production would have resulted in the highest crown production in our history. The Company also produced 6,670 lbs. of Zirconium Magnesium master alloy, 228 lbs. of Barium and 125 lbs. of Strontium. During the strike shutdown, considerable vital maintenance repair was achieved on furnaces, main transformers, measuring and recording instruments, kilns and conveyance equipment. This work, which was carried out by the staff employees, should reduce future shutdown time for repairs. The extrusion plant was operated on a reduced scale by staff employees until October 21st when striking employees returned to work.

On October 19th, Local 4632 of the United Steelworkers of America ratified a two year agreement with the Company, thereby ending the strike that started on July 14th. The new labour contract expires October 18th, 1968.

Capital expenditures for the year amounted to \$168,678. The main items were the final installation of a new stack, fan and multiclone at Haley, and surface facilities and furnace improvements at Beauharnois.

Aerometals Limited had sales of \$610,729, a 28% increase over last year's sales of \$477,128, and was mainly due to larger orders for luggage frames. By the year end this latter business had dropped drastically due to a major customer fabricating his own frame requirements. As of December 21st the official name, Aerometal Products and Design Limited, was changed to Aerometals Limited.

Ferrosilicon costs at the Beauharnois Smelter, which is operated under lease by Chromium Mining & Smelting Corporation, Ltd., were improved over last year. However, labour negotiations are in progress and higher labour costs may be expected.

Our research programme was temporarily disrupted due to the strike but is now continuing with respect to improved furnace design, metal condensation, product improvement, die casting alloys and process efficiency. Efforts are being concentrated on the development of reduction furnace charging and discharging devices.

In 1966 the world demand for magnesium was strong. There was a release of 15,000 tons from the U.S. Government stockpile. Your Company continues to hold its share of the world magnesium market. It is anticipated that calcium sales to the U.S.A. will increase in 1967, due mainly to the Vietnam War demands.

Since the last Annual Meeting of the Shareholders, Mr. P. N. Pitcher has been appointed to the Board.

The Board would like to pay warm tribute to our Plant Managers, Messrs. D. J. McPhail (Haley Plant), and W. Z. Jarmicki (Aerometals Plant), and to H. G. Warrington, Sales Manager, together with all the staff and employees for their efforts during the year.

On behalf of the Board,

H. J. FRASER,
President.

JOHN THOMSON,
Vice-President and General Manager.

Toronto, Ontario,
February 27th, 1967.

Dominion Mag

(Incorporated under the Companies Act)
AND SUBSIDIARIES

Consolidated Balance Sheet

ASSETS

		1965 Comparative Figures
CURRENT ASSETS		
Cash	\$ 154,450	\$ 295,665
Accounts receivable	1,066,884	1,399,871
Short term securities at cost and accrued interest	1,073,979	912,936
Inventories valued at the lower of cost and market	1,495,442	1,216,939
Prepaid expenses	34,273	23,966
	<u>3,825,028</u>	<u>3,849,377</u>
FIXED ASSETS at cost		
Mining properties and land	88,769	88,769
Plant and equipment	9,580,501	9,447,959
	<u>9,669,270</u>	<u>9,536,728</u>
Less accumulated depreciation	6,826,641	6,499,993
	<u>2,842,629</u>	<u>3,036,735</u>
OTHER ASSETS AND DEFERRED CHARGES		
Patent rights less amounts written off		9,009
Special refundable tax	16,300	
Deferred charges	47,256	46,507
	<u>63,556</u>	<u>55,516</u>
	<u><u>\$6,731,213</u></u>	<u><u>\$6,941,628</u></u>

To the Shareholders of
Dominion Magnesium Limited

AUDITOR

We have examined the consolidated balance sheet of Dominion Magnesium Limited and the statement of income, earned surplus and source and application of funds for the year then ended, and the statement of accounting records and other supporting evidence as we considered necessary in the course of our audit.

In our opinion the aforementioned consolidated financial statements present a true and fair view of their operations and the source and application of their funds for the year then ended, in accordance with that of the preceding year.

Toronto, Canada
February 15, 1967

esium Limited

(Incorporated under the laws of Ontario)

COMPANIES

et — December 31, 1966

LIABILITIES

		1965 Comparative Figures
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 626,268	\$ 937,773
Employees' savings and pension fund contributions payable	4,212	23,867
Income taxes payable	91,533	5,013
	<u>722,013</u>	<u>966,653</u>
DEFERRED INCOME TAXES	407,000	364,443
PROVISION FOR PLANT AND EQUIPMENT REPAIRS	<u>253,511</u>	<u>311,763</u>
CAPITAL STOCK AND SURPLUS		
Capital stock		
Authorized — 500,000 shares of no par value		
Issued — 476,270 shares	3,203,045	3,203,045
Earned surplus	2,145,644	2,095,724
	<u>5,348,689</u>	<u>5,298,769</u>
Approved on behalf of the Board:		
H. J. FRASER, Director.		
JOHN THOMSON, Director.		
	<u><u>\$6,731,213</u></u>	<u><u>\$6,941,628</u></u>

REPORT

ed and subsidiary companies as at December 31, 1966 and the consolidated statements
Our examination included a general review of the accounting procedures and such tests
circumstances.

y the financial position of the companies as at December 31, 1966 and the results of
accordance with generally accepted accounting principles applied on a basis consistent

GUNN, ROBERTS and CO.

Chartered Accountants.

Dominion Magnesium Limited

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 1966

		1965 Comparative Figures
Sales	\$5,876,719	\$7,443,360
Cost of sales	4,986,939	6,608,253
	889,780	835,107
Rental revenue, Beauharnois plant	228,120	225,930
Profit from operations before the following deductions	1,117,900	1,061,037
Deduct		
Selling, general and administrative expenses	239,729	231,714
Research	159,463	180,106
Depreciation	362,782	360,280
Expenses incurred at plant during strike	134,970	
Patent expenses and amortization	16,452	14,954
Directors' fees	1,250	1,700
Contribution to employees' savings and pension fund	4,212	23,866
	918,858	812,620
	199,042	248,417
Other income		
Investment income	56,615	46,103
Royalty income	2,000	2,000
Sundry income	1,334	3,477
	59,949	51,580
Income before income taxes	258,991	299,997
Income taxes (see note)	90,003	150,927
Net income for the year	\$ 168,988	\$ 149,070

Dominion Magnesium Limited

CONSOLIDATED STATEMENT OF EARNED SURPLUS

Year ended December 31, 1966

		1965 Comparative Figures
Balance at beginning of year	\$2,095,724	\$2,180,722
Net income for the year	168,988	149,070
	<u>2,264,712</u>	<u>2,329,792</u>
Deduct		
Dividend — 25¢ per share	119,068	119,068
Additional income taxes relating to prior years		115,000
	<u>119,068</u>	<u>234,068</u>
Balance at end of year	<u>\$2,145,644</u>	<u>\$2,095,724</u>

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1966

As a result of claiming depreciation allowances for tax purposes in excess of recorded depreciation, income taxes payable will be less than the current year's provision by \$42,557 (1965 \$129,927) and accordingly this amount is included in the balance sheet under the item "Deferred income taxes".

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1966

		1965 Comparative Figures
Source of Funds		
Net income for the year	\$ 168,988	\$ 149,070
Add charges not involving the outlay of cash		
Depreciation	362,782	360,280
Amortization of patents	10,735	9,719
Deferred income taxes	42,557	129,927
Provision for plant and equipment repairs (decrease) increase	(58,252)	31,036
Funds from operations	<u>526,810</u>	<u>680,032</u>
Decrease in deferred charges		2,800
	<u>526,810</u>	<u>682,832</u>
Application of Funds		
Dividend	119,068	119,068
Additions to fixed assets	168,678	603,054
Increase in deferred charges	749	
Cost of acquiring patents	1,724	1,854
Special refundable tax	16,300	
Additional income taxes relating to prior years		95,000
	<u>306,519</u>	<u>818,976</u>
Increase (decrease) in working capital	<u>\$ 220,291</u>	<u>\$ (136,144)</u>
Working capital at beginning of year	\$2,882,724	\$3,018,868
Increase (decrease)	<u>220,291</u>	<u>(136,144)</u>
Working capital at end of year	<u>\$3,103,015</u>	<u>\$2,882,724</u>

Dominion Magnesium Limited

Head and Sales Office

7 King St. E.
Toronto 1, Ontario

Plant

Haley, Ontario

Magnesium Metal and Alloys

Ingots, Billets
Extrusions

Calcium Metal in all grades and forms.

Calcium Alloys

Thorium Metal

Zirconium, Thorium, Titanium Metals and Master Alloys,
Barium, Strontium Metals. Specialty Alloys.

— SUBSIDIARY COMPANY —

Aerometals Limited

Magnesium Designers and Fabricators
Ferrosilicon Plant

Head Office

7 King St. E.
Toronto 1, Ontario

Plant Office

195 Bentworth Avenue
Toronto 19, Ontario

Plant Products

Ladders — Industrial and Domestic
Wire Reels — Shipping and Process
Rigging Blocks
Shovels — Grain Handling
Snow Pushers
Trucks — Hand and Platform
Diamond Drill Rods
Concrete Buckets

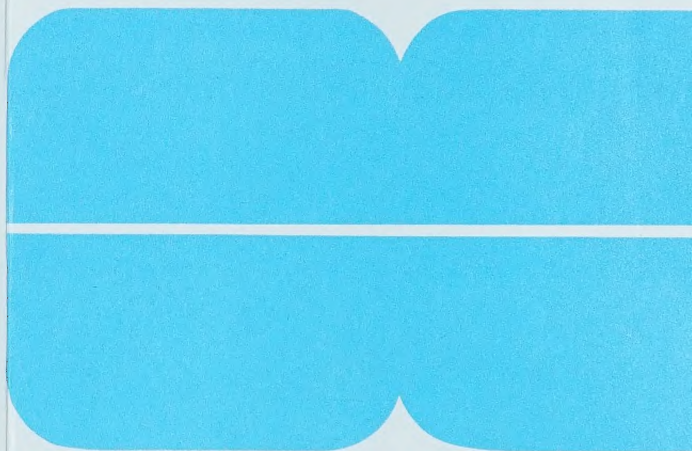
Brick Tongs and
Construction Hardware
Pike Poles and Duct Rods
Defence Equipment
Tools, Dockboards,
Sporting Equipment
Drilling Towers
Luggage Frames



AR42



**DOMINION MAGNESIUM
LIMITED**



**INTERIM REPORT
TO
SHAREHOLDERS**

6 MONTHS
ENDED JUNE 30, 1966



DOMINION MAGNESIUM LIMITED AND SUBSIDIARY COMPANY AEROMETAL PRODUCTS AND DESIGN LIMITED

To the Shareholders:

The following is a condensed report of the results of operations for the six months ended June 30, 1966 and comparable information for the same period of 1965.

Sales volume for the first six months was 7% higher than in the corresponding period in 1965 and is largely accounted for by increased sales from Aerometal Products and Design Limited. The improved earnings reflect the lower cost of ferrosilicon from the Beauharnois smelter during the first six months of 1966 and increased earnings at Aerometal.

The market demand for magnesium and magnesium alloys has been strong and has enabled us to keep all our furnaces in production.

Negotiations for a new labour contract for the employees at our Haley plant began in March. Your management was unable to reach an agreement and could not possibly meet the demands of the union. As a result a strike was called at the Haley operations on July 14 and is still in progress.

JOHN THOMSON,

Vice-President and General Manager.

July 25, 1966.

CONSOLIDATED STATEMENT OF INCOME (Interim Report Subject to Audit and Year-End Adjustment)

	Six Months Ended June 30 1966	1965
Sales	\$3,997,014	\$3,721,680
Operating Costs Including Depreciation	3,785,242	3,671,539
Operating Income	211,772	50,141
Rental Revenue, Beauharnois Plant (Less Depreciation and Insurance)	77,442	74,067
Other Income	23,141	25,790
Income Before Income Taxes	312,355	149,998
Provision for Income Taxes	156,177	75,463
Net Income — Estimated	\$ 156,178	\$ 74,535
Earnings Per Share	\$0.33	\$0.16

Note: For comparative purposes, the 1965 figures above are one half the amounts shown in the 1965 Annual Report.